MICHIGAN AIR SERVICE PROGRAM GUIDELINES

MICHIGAN DEPARTMENT OF TRANSPORTATION OFFICE OF AERONAUTICS

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INTRODUCTION

In 1987 the Michigan Air Service Program was developed to address the loss and decline of commercial air service at many Michigan communities. Implementing the first state/local grant in 1988, the Program helped stabilize and expand commercial air service by undertaking activities aimed at promoting increased use of services available at local airports. Over the preceding years, the airline industry has matured and many changes have occurred. During this time, Michigan airports have had increases in both services provided and total passengers.

Recognizing that quality air service is an essential element of a community's infrastructure and is essential to promote economic expansion, a coordinated state and local effort to promote air service needed to be continued. As a mechanism towards maintaining and improving those services, the Air Service Program was refocused in 1992 with new emphasis on implementing aviation projects that encourage and support economic growth.

In 1994, the Michigan Aeronautics Commission (MAC) recognized that Cargo Service Airports have the potential to attain the goals and objectives of the Air Service Program by improving accessibility of commercial, business, and industrial areas. Increasing awareness of a cargo service airport's role in supporting community growth and economic development was deemed essential to meet the Program's goals and objectives. Therefore, beginning in October 1994, eligibility for participation in the Air Service Program, Airport Awareness category was expanded to include Cargo Service Airports that lack scheduled passenger service.

In 2005, the MAC furthered economic development efforts by expanding eligibility criteria for the Capital Improvement and Equipment category to include cargo service airports that lack scheduled passenger service. As a result, cargo service airports were made eligible for up to \$80,000 in state funding for projects approved under this category.

As currently structured, the Air Service Program will consider funding for airportspecific projects within three categories:

- 1. Capital Improvement and Equipment
- 2. Carrier Recruitment and Retention
- Airport Awareness

These categories and eligibility requirements are further explained in this document. Projects in these categories will be designed to attain Program Goals and Objectives identified on page 2.

GOALS AND OBJECTIVES

PROGRAM GOALS

- 1. Improve accessibility of Michigan's commercial, business, industrial and recreational areas;
- 2. Support initiatives which create and/or maintain jobs in Michigan;
- 3. Facilitate development and improvement of scheduled passenger and freight service facilities at air carrier and designated air cargo service airports which enable and encourage personal, recreational, and business travel to Michigan locations and meet the community's air travel needs.

PROGRAM OBJECTIVES

- 1. Sustain existing levels, and where passenger demand supports profitable operations, improve existing levels of commercial air service to increase accessibility of Michigan's recreational, business and industrial centers;
- 2. Improve efficiency of handling scheduled passengers and cargo at Michigan's air carrier airports;
- 3. Heighten awareness of the airport's role in supporting community growth and economic development; and
- 4. Secure increased federal entitlement funds for airport improvements through increased passenger enplanements.

PROGRAM DESCRIPTIONS

CAPITAL IMPROVEMENT AND EQUIPMENT

The purpose of this category is to improve airport facilities for passenger acceptance, cargo handling, and airport operations to support air service and economic development. Current federal funding mechanisms (entitlement of discretionary) are unavailable for many types of facility enhancement projects. Consequently, those projects are often delayed or never initiated due to limited funds, pre-set priorities, and Program guidelines. This Program category will allow Michigan airports another funding mechanism for projects currently not undertaken through existing federal and state improvement programs such as:

- Interior terminal modifications
- Security equipment
- Flight information centers
- Defibrillators
- Ticket areas
- ADA accessibility improvements
- Cargo handling equipment/facilities

This category would include state funding up to 90% for air carrier airports with scheduled passenger service or FAA designation as a cargo service airport that enplane less than 100,000 passengers annually and 50% state participation for airports exceeding 100,000 enplanements. Total project(s) assistance requested by an airport under this category would be limited to a maximum of \$80,000 in state funds (exceptions may be made upon appeal if Program funds exceed other approved project applications, or the applicant provides convincing data to show that the proposed project would have a significant impact upon meeting Program goals and objectives.) A "Call for Projects" will be established for submittal of applications for the Capital Improvement & Equipment category. It is anticipated that a Call for projects will he held annually. The actual frequency will depend upon fund availability.

CARRIER RECRUITMENT AND RETENTION

The purpose of this category is to assist in establishing, maintaining or increasing air service levels at Michigan airports which meet eligibility requirements. Appropriate levels of quality air service in Michigan improve accessibility to business and industrial centers, augment the state's tourism industry, encourage development of facilities and support initiatives for community growth. Coordination of efforts between the local community and the state induces carriers to provide initial or expanded services.

Funding in this category is available to airports with less than 100,000 annual passenger enplanements and has three elements.

- Feasibility Studies airports which have potential for initial or expanded air service can receive funds for feasibility studies and business plans. The purpose of these studies would be to recruit a carrier to establish or expand existing service. Costs of studies and business plan development would be shared on a state and local basis with the state share being up to 70%.
- Risk Sharing Funding could be available to carrier(s) to minimize risk on certain routes where feasibility studies and community interest support such service. This funding would be structured so state involvement would increase over time with a pre-determined "sunset" and to share risks associated with the service with the local community. Duration of funding would be short term (2-3 years) and used only to assist in establishing and stabilizing the service. Costs incurred in this section would be shared on a state and local basis. At the discretion of the Office of Aeronautics, state funds would be available for a two-year project at 80% of costs in year one and 50% in year two. A three-year project would place the state share of costs at 80% in year one, 70% in year two, and 50% in year three.
- Incentives other inducements to recruit or preserve service could include assistance for airports for waiver of landing fees, baggage handling equipment, other equipment and operational needs as may be required by the airport. Costs incurred in this element would be shared on a state and local basis with the state share being up to 80%.

Each potential project will vary on a case by case basis and the Program will be responsive to current concerns. Specific project cost limits or a due dates for applications will not be pre-set for projects in this category. Applications will be accepted at any time.

AIRPORT AWARENESS

The purpose of this category is to increase public awareness of community airports and available air passenger and air cargo services. Encouraging use of the local airport through education increases awareness of the facility, acceptance of new aircraft types, and fosters a better understanding of schedules, destinations, and fares.

The Program focus involves increased concentration on educational activities for community awareness and media relations. Impacting these areas through greater involvement with service organizations and local businesses cultivates potential users and increases knowledge of the economic benefits of services provided at the airport. Specific information about the airport facility and its services can be utilized by community leaders to attract new business or industry to the area.

It is crucial the media understands the airport's role and its positive economic impact on the local community. Assisting and educating media representatives through forums and workshops results in increased communication and more informed media. This improves public perception and travel planning decisions for business and discretionary travelers. In addition, increased passenger levels may assist some Michigan airports in achieving the required 10,000 annual enplanements to secure guaranteed federal entitlement funding.

The Program would include state funds of 90% up to \$25,000 over a twelve month period of time for air carrier airports with less than 100,000 annual passenger enplanements for projects in the Airport Awareness category.

Funding may also be available to cargo service airports lacking scheduled passenger service.

PROGRAM FUNDING

State Participation

State funding for the Program is provided from State Aeronautics Fund revenues. Projects approved under the Capital Improvement & Equipment category and the Airport Awareness category will be limited to a pre-set maximum amount of state funds as explained in the Program description.

Local Participation

All categories of the Program require that project costs be shared between the state and a local sponsor. The local share may be provided by the Airport Authority, a local unit of government, or a non-profit community support organization such as a chamber of commerce. Contributions from the private sector to the local unit of government are also an acceptable source.

PROJECT ELIGIBILITY AND EVALUATION CRITERIA

CAPITAL IMPROVEMENT & EQUIPMENT

Eligibility for funding under this category is limited to air carrier airports with existing scheduled passenger service, FAA-designated cargo service airports, and non-air carrier airports that have a commitment from a carrier to begin service. In addition, the airport must be listed in the Michigan Aviation System Plan.

Applications for project requests (up to a maximum of \$80,000 in state funds- local match required) will be evaluated based on the following criteria:

Financial

- Proof of local match (prerequisite).
- Whether the project is allowable under existing federal/state airport improvement programs and its probability of being approved for funding.

Safety

 Projects that enhance airport operations, safety and security and/or enable it to meet current safety requirements will be given greater consideration in the evaluation process.

Equal Access

 Projects that enhance access or help meet federal/state/local equal access laws (I.E. the Americans with Disabilities Act of 1990) will be given greater consideration in the evaluation process.

Relationship to Program Goals & Objectives

 Review of the three Program Goals and four Objectives to identify project consistency.

All proposed projects will be reviewed for environmental considerations.

LOCAL MATCH REQUIRED

State funds of up to 90% of the approved Capital Improvement and Equipment project cost, subject to a maximum of \$80,000 in total, will be available for air carrier airports and FAA-designated cargo service airports with less than 100,000 annual passenger enplanements. State participation in approved project(s) at air carrier airports exceeding 100,000 enplanements will be provided at up to 50% of the total costs, subject to a maximum of \$80,000 in total state funds. Air carrier airports and cargo service airports must provide the remainder of project costs from local funding sources.

IN-KIND/SOFT MATCH

Upon request by the airport sponsor, the Office of Aeronautics may consider and approve in advance for use as Local In-Kind/Soft Match, engineering and construction costs to be incurred in-house (i.e. force accounting). Cost to be considered by the Office of Aeronautics for in-kind match potential will be limited to labor, materials and equipment. These costs will not be eligible as soft match unless prior approvals of estimated cost and the sponsor's request for soft match are approved in advance by the Office of Aeronautics.

CALL FOR PROJECTS

Applications for Capital Improvement and Equipment Projects will be solicited on a call for projects basis and will be sent to all eligible airports in Michigan. The frequency of the call for projects will depend upon revenue availability.

CARRIER RECRUITMENT & RETENTION

The purpose of this category is the retention or recruitment of air service provided by certificated air carriers utilizing 19 passenger or larger aircraft. All projects approved under the Carrier Recruitment & Retention category will be available only for a limited time period, as the projects are not intended to provide long term continuing assistance. Airports meeting the following eligibility requirements may apply for assistance:

- Airports enplaning less than 100,000 passengers annually, seeking to improve commercial air service or to retain existing services that are in danger of being lost.
- The airport under consideration should be outside of the service area of an existing air carrier airport as determined by the Michigan Aviation System Plan, and/or Policy Plan for Michigan Air Service.
- The airport infrastructure must be able to support takeoffs and landings by the designated aircraft or such improvement must be currently underway or have been committed.
- The airport must have a tourism facility or manufacturing plant(s) or business community within 20 miles or a commitment to build such within 20 miles must be evident.
- Non air carrier airports with passenger potential for profitable service, and a
 commitment from a certificated air carrier to start service using 19 passenger
 aircraft or larger may be eligible. Please contact the Office of Aeronautics for
 further information.

FEASIBILITY STUDIES

Applications will be accepted at any time, with no specific project cost limits being preset. Applications will be evaluated based on the following criteria:

- Description of service improvement requested (What is the purpose of this feasibility study: a.) service improvement, b.) retention of service? Please explain.)
- Explanation/justification of why service improvement is needed.
- Has the airport had any discussion with potential providers of the service? If so, identify the air carrier and date of discussions.

- Has the service been available previously?
- Proposed implementation time frame.

LOCAL MATCH REQUIRED:

State funds of up to 70% of the approved feasibility study project cost will be available. Airports must provide the remainder of project costs from local funding sources.

RISK SHARING

- Feasibility Study Results- Indicating the service will be self sufficient within the specific project time period and the airline would likely continue service thereafter.
- Resolution of support from the appropriate local unit(s) of government with commitment to a minimum level of support as determined through feasibility study and any subsequent study or competitive action.
- If requested by the Office of Aeronautics, evidence of economic viability of the existing or proposed tourism facility, manufacturing plant or business community, and the local airport's ability to attract ridership within three years without state subsidy, and its continuation of such promotional efforts. These include:
 - a. In the case of a single proposed tourism or other business facility or a large manufacturing plant, demonstration of the proposed facility's probability of development and financial viability;
 - b. A proposed local promotion plan aimed at boosting ridership at the airport
 - c. Projections of ridership for the next three years.
- Agreement by airport sponsor that service proposals from carriers will be competitively negotiated

LOCAL MATCH REQUIRED:

Cost of risk sharing projects shall be shared on a state and local basis with the state share being up to 80%. The remainder of project costs must be provided by local sources approved by the Office of Aeronautics.

INCENTIVES

- Description of assistance requested.
- Explanation of how the assistance requested will attract, improve or retain service.
- Would the project result in an unfair advantage (either current or future) over another carrier at the airport? (The airport must try to eliminate anything that may give one carrier an advantage over other carriers as a result of the assistance requested under this category.)

LOCAL MATCH REQUIRED:

Cost of incentive projects shall be shared on a state and local basis with the state share being up to 80%. The remainder of project costs must be provided by local sources approved by the Office of Aeronautics.

AIRPORT AWARENESS

Eligibility for participation in this Program category is limited to FAA-designated cargo service airports (without passenger service) as well as airports with existing scheduled, certificated, passenger air carrier service meeting the following eligibility criteria:

- Annual enplanements of less than 100,000 passengers.
- Service by at least two flights per day, five days per week.

Airport Awareness funds may also be made available to airports currently establishing scheduled air carrier service. Published schedules in the Official Airline Guide (or other source approved by the Office of Aeronautics) may be required to obtain funds. Please contact the Office of Aeronautics for further information.

Applications for Airport Awareness projects requesting up to \$25,000 in state funds (10 percent local match required) over a twelve month period of time will be evaluated upon the following criteria:

- Description of the airport's proposed utilization of funds requested.
- What is the purpose of the proposed projects? Explain how the project(s) could positively impact:
 - a) Passenger/cargo activity -- how would the project help stabilize or increase the level of passengers using air or cargo services available? Consider market potential, actual passenger activity, leakage factors, nearest hub airport.
 - b) Role of airport in the community -- how would the project increase the public's understanding of the airport's role in the community and positively impact the public awareness of the services available?
 - c) Community economic well-being how would the project identify the importance of airport services to support he community's existing economic base and job retention?
 - d) Changes in the local business climate how would the project impact/identify use of airport services to encourage/support community growth and jobs, (I.E. new or expanded hotels, tourist attractions, industrial parks, manufacturing facilities, new activities)?

- e) Multimodal facilities how does the project encourage use of multi-modal transportation facilities and distribution services which support airport utilization?
- f) Passenger travel or air cargo planning decisions how would the project influence passenger travel or air cargo decisions? What information does it provide to the travel planner/agent?
- g) Media rapport how would the project favorably impact the media to result in positive articles on the airport and airline services available?

ACTIVITY PLAN

An Airport Awareness Activity Plan identifying the airport's proposed use of the total grant funds must be submitted to and approved by the Office of Aeronautics prior to the plan's implementation. Development of the plan may be accomplished in-house by airport administration or, if necessary, through a consultant/agency. Costs incurred in-house to develop plans are considered administrative cost and are not eligible for reimbursement.

Airport Awareness activities have been separated into two sections – Communications and Community Awareness. The Office of Aeronautics recommends that you divide the project allowing 60% for Communications and 40% for Community Awareness. Together, these two sections are designed to increase public awareness, support for the airport, and services available.

COMMUNICATIONS (60% RECOMMENDED)

- Communications activities may consist of radio, broadcast and cable television, outdoor advertising, and newsprint activities.
- Outdoor advertising, such as billboards, shall be limited to 10% of the total communications budget.
- If available, Michigan Department of Transportation-developed videos, scripts, etc. must become a part of the communications strategy. Appropriate tagging of the message will be an eligible cost under this section.
- If requested, scripts for radio, TV, print, and outdoor messages must be submitted to the Office of Aeronautics for approval prior to production and/or use.

• The development of an airport website (or other electronic communication as approved by the Office of Aeronautics) is permitted with use of up to \$1,500 of state funds. Monthly maintenance/subscription fees are not eligible.

COMMUNITY AWARENESS (40% RECOMMENDED)

- Print items including brochures, newsletters, flight schedules.
- Up to 10% of the community awareness budget may be utilized for items such as posters, cups, bag tags, etc.
- Media/community education workshops.
- Airline/travel agency/planner forums.
- Materials developed for civic presentations.
- Familiarization tours/airport open houses.
- Appropriate radio, television, and newsprint activities may be used for Community Awareness efforts. These efforts are directed towards increasing knowledge of economic benefits resulting from services provided at the airport, the role the airport has in supporting community economic well being and job retention, and knowledge of airline practices affecting passengers. Scripts for these messages should be discussed in advance with the Office of Aeronautics to assure that they meet the intent of the Community Awareness section.
- Use of grant funds for air shows is not eligible except where the activity is clearly
 directed towards information relating to the airport facility, available air service,
 and the activity is approved in advance by the Office of Aeronautics.
- Faxing newsletter or e-mail distribution to local business and travel professionals is allowable.

CONSULTANT/AGENCY CHARGES

If a consultant is used to plan and/or implement Airport Awareness activities, costs will be eligible as follows:

 Preparation of the Airport Awareness Activity Plan: No more than 3% of total grant dollars (total state funds plus local matching funds) may be utilized. No costs incurred prior to grant agreement execution are allowable.

- Implementation of Airport Awareness Activity Plan: Consultant/agency fees will be eligible for reimbursement up to 9% of the total grant dollars (total state funds plus local matching funds). Examples of plan implementation included concept development, strategy of implementation, and placement of media messages. No cost will be allowable after expiration of the grant agreement.
- Total of all charges and fees for preparation and implementation of plans rendered by consultant/agency shall not exceed 12% of the entire budget for Airport Awareness activities.

The following are examples of the Airport Awareness budget calculations as outlined above. Forty percent is recommended for the Community Awareness budget.

EXAMPLE 1		
AIRPORT AWARENESS BUDGET	\$27,778	100% (\$25,000 state funds \$ 2,778 local match)
No Consultant Used:		
A. Communications BudgetB. Community Awareness Budget	\$16,667 \$11,111	60% 40%
EXAMPLE 2		
AIRPORT AWARENESS BUDGET	\$27,778	100% (\$25,000 state funds \$ 2,778 local match)
If Consultant is Used:		
A. Communications BudgetB. Community Awareness BudgetC. Eligible Consultant Charges:	\$13,334 \$11,111 \$3,333*	48% 40% 12% (of \$27,778) maximum*
*Maximum Consultant ChargesPlan PreparationPlan Implementation	\$833 \$2,500	3% (of \$27,778) 9% (of \$27,778)

The two previous examples are based on the airport's use of the maximum grant amount of \$25,000 and required local match of \$2,778. However local events may result in the

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airport utilizing less than the maximum available funds, and the funds spent for Airport Awareness activities may vary from these examples.

The Office of Aeronautics may consider requests which fall outside the eligible activities described for this category. Requests for exceptions must be accompanied by a detailed written explanation and cost estimate. Additional items must be approved in writing by the Office of Aeronautics prior to the activity date in order to be eligible for reimbursement.

LOCAL MATCH REQUIRED:

State funds of up to \$25,000 (90 percent) over a twelve month period of time, will be available for projects approved in the Airport Awareness category. Airports must provide the remainder of project costs from approved local funding sources (10 percent).

NON-ALLOWABLE PROJECT COSTS

The following costs are ineligible for reimbursement for projects approved under the Air Service Program:

- Costs incurred prior to agreement execution.
- Costs incurred subsequent to agreement expiration (project must be completed by agreement's expiration).
- Administrative costs incurred by the airport sponsor (I.E. Airport staff time, maintenance fees for website).
- Liability insurance costs.
- Any costs incurred in connection with raising funds by the sponsor, including interest and premium charges and administrative expenses involved in conduction bond elections and in selling bonds.
- Local share required to obtain Air Service Program funds.
- Costs incurred in any other state or federal program for airport improvement projects.
- Attorney fees.
- Alcoholic beverages.
- Advertising outside of airport service area or favoring one carrier over another in promotional advertising.
- Naming of other airports in any form of media is prohibited.
- Interest or late fees.

In addition, the Office of Aeronautics may from time to time, augment the above list based upon project request and Program experience.

APPLICATIONS FOR AIR SERVICE PROGRAM FUNDS

An application form has been developed for use in applying for funds under the Air Service Program. A separate form shall be used for each category funding request. The applicant should attach additional pages providing the specific information requested under the Project Eligibility and Evaluation Criteria listed in this document for each Program category. As updates to the form and this document become available, they will be provided to all airports.

The applicants are encouraged to provide any further information helpful to the Office of Aeronautics in evaluation of the project request. Each proposed project will be evaluated by a team consisting of staff from the Office of Aeronautics.

STATEWIDE ACTIVITIES

In addition to the Air Service Program, under which airports may apply for funding assistance in three categories, the Office of Aeronautics may undertake projects aimed towards achieving Program goals. These projects <u>may</u> include development of workshop/forum presentations and materials for statewide use. The projects will be focused on increasing awareness of air carrier airports and/or cargo service airports that support and encourage economic growth and job retention.

This Air Service Program Guidelines document:

Approved:

By:

MICHAEL G. TROUT

Executive Administrator
Office of Aeronautics
Michigan Department of Transportation

AIR SERVICE PROGRAM APPLICATION

INSTRUCTIONS Use a separate form for each category of requested assistance. Complete all sections below, using additional sheets as necessary, sign and date the form. Retain a copy for your records. Return completed form to Michigan Department of Transportation, Office of Aeronautics, 2700 Port Lansing Road, Lansing, Michigan 48906.							
APPLICANT NAME	APPLICANT NAME FEDERAL IDE		CATION NO.	TELEPHONE N	0.		
ADDRESS	C		CITY, STATE, ZIP CODE				
CONTACT PERSON	TITLE			TELEPHONE N	0.		
PROJECT CATEGORY OF GRANT REQUEST	Capital Improvement & I	Equipment	Carrier Retention & F	Recruitment A	irport Awareness		
DESCRIPTION OF PROPOSE	D PROJECT (Use addition	onal pages as	necessary.)				
PROJECT JUSTIFICATION (See guidelines for project evaluation criteria.)							
ADDITIONAL INFORMATION YOU WISH THE OFFICE OF AERONAUTICS TO CONSIDER IN EVALUATING THE PROPOSED PROJECT							
AIR SERVICE PROGRAM FUI	NDS REQUESTED L	OCAL SHARE	E OF PROJECT ESTIMATED CO		T OF PROJECT		
ESTIMATED START DATE			ESTIMATED COMPI	ETION DATE	,		
HAS FUNDING BEEN APPLIED FOR UNDER ANY OTHER FUNDING SOURCE? YES NO			IF YES, WHAT SOURCE?				
I understand that I may be required to gather and submit to the Office of Aeronautics appropriate information concerning project results so that the effectiveness of the Air Service Program goals can be monitored and documented. I further understand that no state funds are committed prior to execution of an agreement and that no costs which are incurred prior to agreement execution are eligible for reimbursement. IF a third party, such as a contractor or consultant, is used to perform work on the project, a "third-party agreement" may be required. This agreement may be subject to MDOT review and approval prior to its execution and prior work being initiated. Failure to obtain such MDOT approval may result in costs being disallowed upon audit of the agreement.							
I am aware that local matching funds are required for participation in the Air Service Program and I also acknowledge that I have read and understand the requirements noted above.							
PRINTED NAME and TITLE		SIGNATURE			DATE		